

**CHARLES T. "CHUCK" MATHENA, II
FOUNDATION, INC.**

AUDITED FINANCIAL STATEMENTS

Year Ended December 31, 2007

CHARLES T. "CHUCK" MATHENA, II FOUNDATION, INC.

AUDITED FINANCIAL STATEMENTS

Year Ended December 31, 2007

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Thomas G. Himes, CPA

CERTIFIED PUBLIC ACCOUNTANT

600 ROGERS STREET
PRINCETON, WV, 24740
(304) 425-5119
FAX (304) 487-3597
himes@tghimescpa.com

INDEPENDENT AUDITOR'S REPORT

Charles T. "Chuck" Mathena, II Foundation, Inc.

I have audited the accompanying statement of assets, liabilities, and net assets-modified cash basis of Charles T. "Chuck" Mathena, II Foundation, Inc., as of December 31, 2007, and the related statements of support, revenue, and expenses-modified cash basis and cash flows-modified cash basis for the year then ended. These financial statements are the responsibility of the Charles T. "Chuck" Mathena, II Foundation, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note A, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Charles T. "Chuck" Mathena, II Foundation, Inc., as of December 31, 2007, and its support, revenue, and expenses, and its cash flow for the year then ended on the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 7, 2009, on my consideration of Charles T. "Chuck" Mathena, II Foundation, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the basic financial statements of Charles T. "Chuck" Mathena, II Foundation, Inc., taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Thomas G. Himes, CPA
Princeton, WV 24740
January 7, 2009

A handwritten signature in cursive script, reading "Thomas G. Himes". The signature is written in dark ink and is positioned to the right of the typed name.

CHARLES T. "CHUCK" MATHENA, II FOUNDATION, INC.

STATEMENTS OF ASSETS, LIABILITIES, & NET ASSETS - MODIFIED CASH BASIS

December 31, 2007

ASSETS	Unrestricted	Temporarily Restricted	Total
CURRENT ASSETS			
Cash & cash equivalents	\$ 291,073	\$ -	\$ 291,073
Total Current Assets	<u>291,073</u>	<u>-</u>	<u>291,073</u>
PROPERTY AND EQUIPMENT			
Land	750,013	-	750,013
Equipment	60,262	-	60,262
Construction in progress	6,935,545	-	6,935,545
Total Property and Equipment	<u>7,745,820</u>	<u>-</u>	<u>7,745,820</u>
OTHER ASSETS			
Reserved investments	1,000,000	-	1,000,000
Investments	-	1,077,786	1,077,786
Total Other Assets	<u>1,000,000</u>	<u>1,077,786</u>	<u>2,077,786</u>
TOTAL ASSETS	<u>\$ 9,036,893</u>	<u>\$ 1,077,786</u>	<u>\$ 10,114,679</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Current maturity long term debt	\$ 30,854	\$ -	\$ 30,854
Total Current Liabilities	<u>30,854</u>	<u>-</u>	<u>30,854</u>
LONG TERM DEBT	<u>2,938,800</u>	<u>-</u>	<u>2,938,800</u>
TOTAL LIABILITIES	<u>2,969,654</u>	<u>-</u>	<u>2,969,654</u>
NET ASSETS			
Unrestricted	5,067,239	-	5,067,239
Unrestricted - reserved	1,000,000	-	1,000,000
Temporarily restricted	-	1,077,786	1,077,786
TOTAL NET ASSETS	<u>6,067,239</u>	<u>1,077,786</u>	<u>7,145,025</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,036,893</u>	<u>\$ 1,077,786</u>	<u>\$ 10,114,679</u>

The notes to financial statements are an integral part of these statements.

CHARLES T. "CHUCK" MATHENA, II FOUNDATION, INC.

STATEMENTS OF SUPPORT, REVENUE, AND EXPENSES - MODIFIED CASH BASIS

Year Ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
CHANGE IN NET ASSETS			
SUPPORT AND REVENUE			
Donations	\$ -	\$ 302,717	\$ 302,717
Interest & trust income	98,283	-	98,283
Noncash donations	2,600	22,434	25,034
Gain on sale of stock	-	1,899	1,899
Total Support and Revenue	<u>100,883</u>	<u>327,050</u>	<u>427,933</u>
EXPENSES			
Bank charges	524	-	524
Advertising	1,958	-	1,958
Scholarships	-	14,500	14,500
Insurance	4,099	-	4,099
Office supplies	1,078	-	1,078
Rent	2,600	-	2,600
Other expenses	1,080	-	1,080
Total Expenses	<u>11,339</u>	<u>14,500</u>	<u>25,839</u>
Assets released from restrictions			
Restricted purposes satisfied	<u>975,938</u>	<u>(975,938)</u>	<u>-</u>
CHANGE IN NET ASSETS	1,065,482	(663,388)	402,094
Net assets at beginning of year	<u>5,001,757</u>	<u>1,741,174</u>	<u>6,742,931</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,067,239</u>	<u>\$ 1,077,786</u>	<u>\$ 7,145,025</u>

The notes to financial statements are an integral part of these statements.

CHARLES T. "CHUCK" MATHENA, II FOUNDATION, INC.

STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS

Year Ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ 1,065,482	\$ (663,388)	\$ 402,094
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Noncash donations	(2,600)	(22,434)	(25,034)
Noncash rent expense	2,600	-	2,600
Gain on sale of stock	-	(1,899)	(1,899)
Total adjustments	-	(24,333)	(24,333)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,065,482</u>	<u>(687,721)</u>	<u>377,761</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(1,000,000)	-	(1,000,000)
Assets released from restriction	-	(975,938)	(975,938)
Proceeds from investments	-	1,663,659	1,663,659
Increase in construction in progress and equipment	<u>(2,796,789)</u>	<u>-</u>	<u>(2,796,789)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(3,796,789)</u>	<u>687,721</u>	<u>(3,109,068)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from notes payable	<u>2,969,654</u>	<u>-</u>	<u>2,969,654</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>2,969,654</u>	<u>-</u>	<u>2,969,654</u>
NET INCREASE IN CASH	<u>238,347</u>	<u>-</u>	<u>238,347</u>
Cash at Beginning of Year	<u>52,726</u>	<u>-</u>	<u>52,726</u>
CASH AT END OF YEAR	<u>\$ 291,073</u>	<u>\$ -</u>	<u>\$ 291,073</u>

The notes to financial statements are an integral part of these statements.

CHARLES T. "CHUCK" MATHENA, II FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - Charles T. "Chuck" Mathena, II Foundation, Inc., a non profit corporation, was organized for the purpose of providing aid to and furthering the educational opportunities of students. This purpose is to be accomplished through the awarding of scholarships, grants, and aid to students, contributing assistance to institutions of higher learning, procuring personal property, and/or the erection of buildings to promote education. The Foundation has undertaken to construct and operate a center for performing and fine arts and event venue. The center held its initial performance in the summer of 2008

Source of Revenue - The Foundation receives most of its revenue through donations from businesses and individuals. Other sources of revenue are fund raisers and return on investments.

Basis of Accounting - The financial statements of the Foundation are prepared on the modified cash basis of accounting. This method of accounting recognizes revenue when cash is received and expenses when they are paid. Under the modified cash basis of accounting, certain assets (i.e., property) are capitalized rather than expensed when paid.

Property and Equipment - Property and equipment is recorded at cost or, if donated, at fair market value at date of donation. As of December 31, 2007, the only expenditure for property was \$7,706,675 (Construction in progress) related to the construction of a performing and visual arts center and the purchase of a Steinway Model D Concert Grand Piano which will not be used until the center opens. The Foundation's policy will be to capitalize assets costing greater than \$1,000 with a useful life of more than one year.

Cash and Cash Equivalents - The Foundation considers cash in demand accounts and on time deposits as cash and cash equivalents on the statement of cash flows (exclusive of amounts in the trust and agency accounts, (Note B).

Use of Estimates - The Foundation relies, as do all entities, on management's estimates in the preparation of their financial statements. Actual results could differ from those estimates.

Income Taxes - The Foundation has been granted an exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation.

CHARLES T. "CHUCK" MATHENA, II FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended December 31, 2007

NOTE B - INVESTMENTS

The Foundation has set up a trust at First Community Bank for the purpose of investing building funds until needed. As of December 31, 2007, funds were invested as follows:

	<u>Cost</u>	<u>Market Value</u>
Bonds		
Federal Agencies	\$ 637,273	\$ 637,273
Corporate Financial	<u>49,376</u>	<u>52,411</u>
Total Bonds	<u>686,649</u>	<u>689,684</u>
Common Stock		
Consumer Discretionary	15,040	18,750
Consumer Staples	50,077	60,979
Energy	26,271	66,447
Financials	77,473	95,903
Health Care	38,687	40,008
Industrials	25,577	52,316
Information Technology	<u>22,252</u>	<u>26,877</u>
Total Common Stock	<u>255,377</u>	<u>361,280</u>
Equity Funds	<u>81,147</u>	<u>107,550</u>
Total Trust Account	\$ <u>1,023,173</u>	\$ <u>1,158,074</u>

The Foundation has also set up an agency account at First Community Bank to invest building funds until needed, and to invest the required loan reserve accounts. These funds are invested as follows:

	<u>Cost</u>	<u>Market Value</u>
Cash and Cash Equivalents		
Master Notes and Money Market Funds	\$ 54,605	\$ 54,605
Bonds		
Federal Agencies	<u>1,000,008</u>	<u>999,749</u>
Total Building Fund	<u>1,054,613</u>	<u>1,054,354</u>
Total Investments	\$ <u>2,077,786</u>	\$ <u>2,212,428</u>

CHARLES T. "CHUCK" MATHENA, II FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended December 31, 2007

NOTE B - INVESTMENTS (CONTINUED)

Since the accompanying financial statements are presented on the modified cash basis of accounting. Investments are not adjusted to fair market value at the date of the financial statements.

Included in the Building Fund agency account are two reserve accounts established pursuant to the promissory note agreement. (Note C)

1. Debt Service Account in the amount of \$500,000.
2. Reserve Account, required to be prefunded at loan closing in the amount of \$500,000, may be used for payments on the note if sufficient funds are not available in the General or Debt Service accounts, and with prior approval of the Government, funds may be withdrawn for repairs or improvements to the facility. Whenever disbursements are made from the reserve account, monthly deposits of \$2,155 shall be made until the balance of \$500,000 is restored.

NOTE C - LONG TERM LIABILITIES

United States of America - Rural Housing Service; 4.125% fixed for 40 years; secured by all real estate designated as "Mathena Center" as well as all the Foundation's revenues and all tangible items owned or hereafter acquired; original amount of note \$5,000,000 payable in 480 monthly installments of \$21,550 including principal and interest beginning on June 21, 2008. As of December 31, 2007, \$2,969,654 had been drawn down with the expectation that the remaining \$2,030,346 would be drawn down before the programmed repayments begin.

\$ 2,969,654

Current Maturity

30,854
\$ 2,938,800

CHARLES T. "CHUCK" MATHENA, II FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended December 31, 2007

NOTE C - LONG TERM LIABILITIES (CONTINUED)

Predicated upon the full drawdown of the promissory note, the principal maturities of the note are as follows:

2008	30,854
2009	54,648
2010	56,946
2011	59,340
2012	61,834

NOTE D - TEMPORARILY RESTRICTED FUNDS

Temporarily restricted funds consist of donations received for the purpose of erecting a multi-million dollar performing and visual arts center to be known as the Chuck Mathena Center and for awarding college scholarships to selected individuals.

NOTE E - CONTINGENT LIABILITY

The Foundation awards four-year scholarships to selected applicants. The funds are disbursed equally over the four-year period and are contingent upon the applicant's continued enrollment. The amount of scholarships awarded for future years of schooling, but not yet paid, has not been determined or reflected in the attached statements.

NOTE F - PLEDGES

The Foundation has pledges for future donations, however, these future pledges are not reflected on the accompanying financial statements inasmuch as the financial statements are presented on the modified cash basis of accounting.

CHARLES T. "CHUCK" MATHENA, II FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended December 31, 2007

NOTE G - CONCENTRATIONS

During the year ended December 31, 2007, 37.9% of total cash contributions was received from one donor, the president of the Foundation.

The organization's investments (Note B) are basically uninsured and accordingly subject to possible decreases in value.

NOTE H - LEASES

During the year ended December 31, 2007, the organization did not incur any lease expense for office space. Office space, valued at \$2,600, was donated and is reported in the accompanying statements

NOTE I - RELATED PARTIES

During the year, some members of the Board of Director donated funds and/or services to the organization.

Thomas G. Himes, CPA

CERTIFIED PUBLIC ACCOUNTANT

600 ROGERS STREET
PRINCETON, W.VA., 24740
(304) 425-5119
FAX (304) 487-3597

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Charles T. "Chuck" Mathena, II Foundation, Inc.

I have audited the financial statements of Charles T. "Chuck" Mathena, II Foundation, Inc., (a nonprofit organization) as of and for the year ended December 31, 2007, and have issued my report thereon dated January 7, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Charles T. "Chuck" Mathena, II Foundation, Inc.'s, internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Charles T. "Chuck" Mathena, II Foundation, Inc.'s, internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Charles T. "Chuck" Mathena, II Foundation, Inc.'s, financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the organization, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Thomas G. Himes, CPA
Princeton, WV 24740
January 7, 2009

A handwritten signature in cursive script that reads "Thomas G. Himes".

Thomas G. Himes, CPA

CERTIFIED PUBLIC ACCOUNTANT

600 ROGERS STREET
PRINCETON, W.VA., 24740
(304) 425-5119
FAX (304) 487-3597

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Charles T. "Chuck" Mathena, II Foundation, Inc.

Compliance

I have audited the compliance of Charles T. "Chuck" Mathena, II Foundation,, Inc., (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A 133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. Charles T. "Chuck" Mathena, II Foundation,, Inc.'s, major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility Charles T. "Chuck" Mathena, II Foundation,, Inc.'s, management. My responsibility is to express an opinion on Charles T. "Chuck" Mathena, II Foundation, Inc.'s compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A 133, *Audits of States, Local Governments, and Non Profit Organizations*. Those standards and OMB Circular A 133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Charles T. "Chuck" Mathena, II Foundation, Inc.'s, compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Charles T. "Chuck" Mathena, II Foundation, Inc.'s, compliance with those requirements.

In my opinion, Charles T. "Chuck" Mathena, II Foundation,, Inc., complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of Charles T. "Chuck" Mathena, II Foundation, Inc., is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Charles T. "Chuck" Mathena, II Foundation, Inc.'s, internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Charles T. "Chuck" Mathena, II Foundation, Inc.'s, internal control over compliance

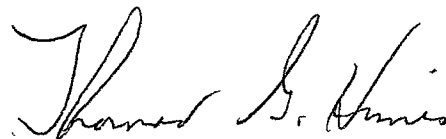
A *control* deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Thomas G. Himes, CPA
Princeton, WV 24740
January 7, 2009



CHARLES T. "CHUCK" MATHENA, II FOUNDATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2007

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Charles T. "Chuck" Mathena, II Foundation, Inc.
2. No control deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Charles T. "Chuck" Mathena, II Foundation, Inc., were disclosed during the audit.
4. No reportable conditions in internal control over the major federal award program was disclosed during the audit.
5. The auditor's report on compliance for the major federal award program for Charles T. "Chuck" Mathena, II Foundation, Inc., expresses an unqualified opinion on the major federal program.
6. The audit disclosed no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as the major program included:

10.766	Community Facilities	\$ 2,796,789
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8. The threshold for distinguishing Types A and B programs was \$ 300,000.
9. Charles T. "Chuck" Mathena, II Foundation, Inc., was determined to not be a low-risk auditee.

SUPPLEMENTARY INFORMATION

CHARLES T. "CHUCK" MATHENA, II FOUNDATION, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2007

	<u>FEDERAL CFDA NUMBER</u>	<u>LOAN EXPENDED</u>	<u>RECEIVED FROM RECIPIENT</u>
<u>U.S. Dept. of Agriculture</u>			
Community Facilities	10.766	\$ <u>2,796,789</u>	\$ <u>2,969,654</u>
Total U.S. Dept. of Agriculture		<u>2,796,789</u>	<u>2,969,654</u>
Total Federal Expenditures		\$ <u><u>2,796,789</u></u>	\$ <u><u>2,969,654</u></u>

The notes to financial statements are an integral part of this statement.